

	Recommendations	Requirement	EK Priority	ERB Priority	ERB Comments
1	Seek a statutory change requiring new Board member orientation and more hours of ongoing education, including annual fiduciary training. (see page 8)	Statutory Change	*	*	ERB's updated board governance policy will include this provision. This is ERB's current practice. Most of the ERB board members have also already attended the fiduciary training (IFEBC CAPPP) that EK recommends. Ongoing fiduciary training is provided at ERB's annual retreat.
2	Provide by policy a specific orientation and formalized ongoing education for Investment Committee members. (see page 8)	Board Policy Enhancement			ERB's updated board governance policy will include this provision. This is ERB's current practice.
3	Continue to ensure all new Board members receive a timely and thorough orientation session as well as annual training on fiduciary responsibilities. (see page 9)	Board Policy Enhancement			ERB's updated board governance policy will include this provision. This is ERB's current practice. Most of the ERB board members have also already attended the fiduciary training (IFEBC CAPPP) that EK recommends. Staff and external experts also provide ongoing investment education for all board members.
4	Examine the intent of the Prudent Investor Act and its application to ERB and determine whether protections provided under the Education Retirement Act, the Torts Claims Act, or other laws are appropriate. (see page 10)	Board Discussion			ERB board will consider this proposal.

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5	Amend the statute to include a definition of who is a fiduciary. (see page 10)	Statutory Change			ERB board will consider this proposal. In practice, ERB follows ERISA definition of fiduciary.
6	Update and formally approve the "Board Policies and Procedures" document so that it is a comprehensive governance manual that can be distributed to new Board members. (see page 11)	Board Policy Enhancement			ERB's updated governance policy will reflect this.
7	Create a more detailed position description for individual Board members and distribute it during the election and appointment process. (see page 13)	Board Policy Enhancement			ERB staff is drafting these descriptions.
8	Create comprehensive charters for the Investment Committee, the Audit Committee, and the Evaluation Committee. (see page 14)	Committee Charter Development			ERB staff is drafting these charters.
9	Evaluate whether an ex-officio member should be allowed to designate a specific person to attend, participate, and vote at meetings. (see page 14 and 15)	Board Discussion		*	ERB will evaluate whether its ex officio members can designate another person to attend meetings. This will require a statutory change.
10	Modify the language in the ERB Standards of Conduct to require that third party disclosure regarding gifts, entertainment, and travel is required on an annual basis. (see page 16)	Board Policy Enhancement		*	ERB will modify the language in its contracts and request a statutory change calling for a fourth degree penalty for failure of third parties to make this disclosure.

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11	Have the Audit Committee review disclosure forms so that any conflicts of interest can be appropriately managed as ERB business is conducted. (see page 16)	Process/ Procedure Enhancement			ERB's fiduciary attorney is reviewing this proposal.
12	Require Board members and staff to annually acknowledge in writing that they have read and will comply with their respective ERB Standards of Conduct. (see page 17)	Board Policy Enhancement			ERB's updated governance policy will address this.
13	Conduct annual training regarding the ERB Standards of Conduct to highlight the importance of ethical standards and conflicts of interest. (see page 17)	Process/ Procedure Enhancement			ERB board will consider this proposal. It can be included as part of the annual fiduciary duty update at the retreat.
14	Clarify who has responsibilities to monitor compliance. (see page 17)	Board Discussion			ERB's fiduciary attorney is reviewing this proposal. ERB's updated governance policy will address this.
15	Modify the composition of the Investment Committee to only include Board members. (see page 18)	Committee Composition Change	*		The ERB Board has issued a draft of a rule at its June meeting removing the Exec. Director and substituting another Board member.
16	Discuss what value an accountability matrix may have in documenting and clarifying roles and responsibilities. (see page 20)	Board Discussion and possible Document Creation			ERB board will consider this proposal.

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17	Ensure there is a comprehensive and unambiguous position description for the Executive Director and for the CIO, and review and update them as necessary. (see page 19 and 20)	Position Description Enhancement	*	*	Position descriptions have been prepared for these positions as well as for the other exempt positions- Deputy Director and General Counsel.
18	Amend contracts with ORG and Courtland and clearly specify that each consultant is a fiduciary for the services they provide, the consultants work for the Board, and the consultant's standard of care is that of a prudent investor. (see page 20)	Contract Modification	*	*	Contract amendments incorporating those changes have been signed.
19	Seek staffing autonomy to allow the ERB to fill all investment positions without being bound by state personnel procurement practices. (see page 22)	Statutory Change	*		ERB staff believes that hiring practices should follow the guidance of the State Personnel rules and regulations.
20	Fill the vacant positions on the investment staff as soon as possible. (see page 22)	Hire Staff			The vacant positions have been filled.
21	Re-evaluate the staff size in light of portfolio complexity, internal management, and oversight of alternative investments. (see page 22 and 23)	Evaluation of Current Practices		*	ERB staff is evaluating many aspects of its investment staffing.
22	Seek budget autonomy but maintain fiduciary standards, transparency, and reporting requirements. (see page 23 and 24)	Statutory Change	*		ERB staff does not believe this is a viable proposition.

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23	Consider working with an independent external party to monitor and benchmark investment related costs. (see page 25)	Modification of Existing Practices			ERB board will consider this proposal.
24	Complete an asset liability study to either confirm or adjust, as appropriate, the long-term target allocations of the fund. (see page 30)	Asset Liability Study	*	*	This is ERB's current practice.
25	Ensure the Board receives ongoing education and information related to the risks in the alternatives portfolio, specifically regarding the absolute return strategies. (see page 34)	Modification to Existing Practices		*	ERB staff is evaluating the most effective way to aggregate risk across the entire investment portfolio.
26	Evaluate the suitability of global mandates for equities. (see page 35 and 36)	Statutory Change			ERB board will consider this proposal.
27	Ensure thorough education and analysis is presented and discussed with the Board or Investment Committee regarding the asset classes included or contemplated for the portfolio. (see page 36)	Modification to Existing Practices			ERB already does this at board meetings and during the annual retreat.
28	Re-visit Global Tactical Asset Allocation to ensure the Board is comfortable with the approach being utilized. (see page 36)	Board Discussion and/or Policy Enhancement	*		ERB board will consider this proposal. However, clarification of this item is necessary as ambiguous information has been received from EK.

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29	Establish and document a prudent rebalancing process. (see page 37 and 38)	Board Policy Enhancement			ERB staff disagrees with this comment. The current policy allows staff discretion within policy ranges. This has consistently added value to portfolio returns. ERB staff will discuss this with the board.
30	Tighten the allowable ranges for each asset class. (see page 38)	Board Policy Enhancement			ERB staff disagrees with this recommendation. Ranges are sufficiently narrow. ERB staff will discuss this with the board. See the previous comment.
31	Re-evaluate the tactical asset allocation authority granted to staff. (see page 38)	Board Discussion and/or Policy Enhancement	*		Existing authority has been used to consistently add value to performance. Staff recommends no changes. ERB staff will discuss this with the board.
32	Revise the stated investment objectives in the IPS to include earning an appropriate risk adjusted return compared to the policy portfolio. (see page 39)	Board Policy Enhancement			Staff believes this change is unnecessary and may foster an incorrect view of risk application. ERB staff will discuss this with the board.
33	Explore the benefits of risk budgeting with consultants. (see page 39)	Staff/ Consultant Analysis and Board Discussion		*	ERB staff is evaluating the most effective way to aggregate risk across the entire investment portfolio.
34	Enhance the Strategic Plan to include goals to achieve investment objectives. (see page 39 and 40)	Board Strategic Plan Enhancement			ERB board will consider this proposal.

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35	Update and improve the IPS with the assistance of the consultant. (see page 40)	Board Policy Enhancement			Staff plans to present a revised IPS to the Board prior to calendar year end.
36	Have the investment consultant periodically assess internally managed assets to determine whether the performance and costs remain more beneficial than managing the same assets externally. (see page 44)	Evaluation of Current Practices	*	*	This will be a topic of discussion at the board/staff retreat on investment staffing.
37	Ensure that internal controls are in place to adequately safeguard the internally managed assets. (see page 43)	Modification of Existing Practices		*	ERB's internal auditor does this as part of the annual internal audit plan.
38	Evaluate whether Board members and staff should be subject to a personal trading policy requiring disclosures. (see page 44)	Evaluation of Current Practices		*	Staff is drafting this policy.
39	Formally approve the Board policies and Staff Code of Conduct, which include Insider Trading Policies. (see page 44)	Board Discussion and Policy Approval		*	Staff is working with ERB's fiduciary attorney to update these documents.
40	Consider whether passive management is appropriate for additional asset classes. (see page 47)	Board Discussion		*	This will be a topic of discussion at the board/staff retreat on investment staffing. Staff is currently evaluating whether to move all assets from our two large cap managers to the S&P 500 index fund.

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41	Complete an equity structure review that evaluates the number and types of managers, as well as any style or market segment biases in the portfolio. (see page 48 and 49)	Evaluation of Current Structure	*		ERB investment staff, along with the board's investment, regularly review this.
42	Complete a fixed income structure review that evaluates the portfolio structure from an allocation, quality, risk, and liability standpoint. (see page 49)	Evaluation of Current Structure	*		ERB investment staff, along with the board's investment, regularly review this.
43	Ensure manager structure is periodically reviewed by the Investment Committee and/or Board. (see page 49)	Board Policy Enhancement			ERB investment staff, along with the board's investment, regularly review this.
44	Evaluate whether a formal RFP process remains the most efficient and effective way to conduct manager searches. (see page 49 and 50)	Board Discussion and Possible Practice Modification			Staff will continue to recommend the most appropriate search process to the Investment Committee for approval for the manager under consideration.
45	Incorporate manager selection guidelines within the Investment Policy Statement and supporting documentation. (see page 51)	Board Policy Enhancement			Staff disagrees with this recommendation. It allows no flexibility in manager selection. Staff will discuss this with the board.
46	Ensure documentation of the search process is maintained and analysis presented to the Board is complete and useful. (see page 51)	Additional Reporting			This is ERB's current practice.
47	Seek statutory authority to hire the custodian bank. (see page 52)	Statutory Change			ERB board will consider this proposal.



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48	Consider tightening the acceptable sub-asset class minimum and maximum target ranges within alternatives to align with industry peers. (see page 53)	Board Policy Enhancement			The investment staff, the board and the board's investment consultant review asset allocation on a regular basis. Plans are to review the asset allocation prior to calendar year end. Tightening the ranges is unnecessary. Staff will discuss this with the board.
49	Seek a statutory change to allow discussions and materials of private market investments with proprietary investment strategies to be kept confidential. (see page 54)	Statutory Change			Staff believes this proposal is not viable. Staff will discuss this with the board.
50	Consider updating policy to delineate the roles and responsibilities with regard to investment monitoring and asset sub-classes within the alternative asset classes. (see page 54)	Board Policy Enhancement			ERB board will consider this proposal.
51	Obtain independent, audited cash flow information in order to reconstruct manager performance (see page 56)	Evaluation of Current Practices			ERB board will consider this proposal.
52	Evaluate the HFRI Funds-of-Funds Index as the primary benchmark for the absolute return portfolio. (see page 58 and 59)	Evaluation of Current Practices			ERB board will consider this proposal.
53	Include the GTAA benchmark in the quarterly performance reports. (see page 59)	Board Policy Enhancement			It is included.
54	Include the benchmark for real assets in the performance report. (see page 59)	Performance Report Enhancement			Staff and the general consultant are discussing an appropriate benchmark.

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55	Consider delegating placement agent qualification review and usage tracking to an external party. (see page 64)	Modification of Existing Practice			ERB board will consider this proposal.
56	Evaluate whether including additional or different elements in the quarterly performance reports would be useful to the Board. (see page 67)	Board Discussion			ERB board will consider this proposal.
57	Show returns net-of-fees in the performance reports. (see page 67)	Performance Report Enhancement	*	*	Staff is working with JPM/Chase to include this information in performance reporting.